

**FILED**

**BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH**

**JAN 04 2012  
SECRETARY, BOARD OF  
OIL, GAS & MINING**

IN THE MATTER OF THE REQUEST FOR  
AGENCY ACTION OF KERR-MCGEE OIL &  
GAS ONSHORE LP FOR AN ORDER  
SUSPENDING APPLICATION OF THE  
BOARD'S ORDERS IN CAUSE NOS. 173-24  
AND 210-05 AND UTAH ADMIN. CODE  
RULES R649-3-2, R649-3-10 AND R649-3-11 (1)  
AND (2) INsofar AS THEY PERTAIN TO  
LANDS WITHIN THE 2011 EXPANSION OF  
THE NATURAL BUTTES FEDERAL  
EXPLORATORY UNIT, COVERING PORTIONS  
OF TOWNSHIPS 9 SOUTH, RANGE 20 EAST,  
AND 10 SOUTH, RANGES 20 THROUGH 22  
EAST, SLM, UINTAH COUNTY, UTAH

**FINDINGS OF FACT,  
CONCLUSIONS OF LAW  
AND ORDER**

Docket No. 2011-015

Cause No. 173-25

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, December 7, 2011, at approximately 9:15 a.m., in the Auditorium of the Utah Department of Natural Resources Building in Salt Lake City. The following Board members were present and participated at the hearing: Chairman James T. Jensen, Jean Semborski, Ruland J. Gill, Jr., Jake Y. Harouny, Kelly L. Payne, Carl F. Kendel and Chris D. Hansen. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner Kerr-McGee Oil & Gas Onshore LP ("KMG") were Thomas A. Marranzino – Project Land Advisor, Eric D. Shullenberg – Development Geologist, and John L. Eisele – Reservoir Engineer. Said witnesses were recognized by the Board as experts in petroleum land management, geology and reservoir

engineering, respectively, for purposes of this Cause. Frederick M. MacDonald, Esq., of and for Beatty & Wozniak, P.C., appeared as attorney for KMG.

Making a statement on behalf of the Division of Oil, Gas and Mining (the “Division”) was Brad Hill – Permitting Manager/Geologist. Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney on behalf of the Division. The Division filed a Staff Memorandum in this Cause on December 1, 2011. In his statement, Mr. Hill indicated all issues raised in the Staff Memorandum had been adequately addressed and that the Division expressed its support for the granting of KMG’s Request for Agency Action dated July 12, 2011, as corrected by Errata dated July 26, 2011 and dated September 2, 2011 (collectively the “Request”), as conformed to the testimony and other evidence provided at the hearing.

At the end of KMG’s and the Division’s presentations, Michael L. Coulthard, Petroleum Engineer for the Utah State Office of the Bureau of Land Management (“BLM”), made a statement to the Board expressing the BLM’s support for the granting of the Request.

No other party filed a response to the Request and no other party appeared or participated at the hearing.

The Board, having considered the testimony presented and the exhibits received into evidence at the hearing, being fully advised, and for good cause, hereby makes the following findings of fact, conclusions of law and order in this Cause.

#### **FINDINGS OF FACT**

1. KMG is a Delaware limited partnership in good standing and authorized to conduct business in the State of Utah. It is duly bonded with all appropriate State of Utah and Federal agencies relevant to this cause.

2. The following lands comprise the 2011 expansion of the Natural Buttes Federal Exploratory Unit (the "NBU"):

Township 9 South, Range 20 East, SLM

Section 23: SE $\frac{1}{4}$   
Section 24: S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$   
Section 25: N $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$

Township 10 South, Range 20 East, SLM

Section 25: S $\frac{1}{2}$ SE $\frac{1}{4}$

Township 10 South, Range 21 East, SLM

Section 23: E $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$   
Section 24: S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$   
Section 25: S $\frac{1}{2}$ S $\frac{1}{2}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$   
Section 26: SW $\frac{1}{4}$   
Section 28: SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$   
Section 31: Lots 1 (40.94), 2 (40.68), 3 (40.96), 4 (40.54), E $\frac{1}{2}$ W $\frac{1}{2}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$   
Section 32: S $\frac{1}{2}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$   
Section 34: All  
Section 36: All

Township 10 South, Range 22 East, SLM

Section 15: N $\frac{1}{2}$ S $\frac{1}{2}$ , S $\frac{1}{2}$ N $\frac{1}{2}$   
Section 24: E $\frac{1}{2}$ NE $\frac{1}{4}$   
Section 25: E $\frac{1}{2}$ SE $\frac{1}{4}$   
Section 27: S $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$   
Section 28: S $\frac{1}{2}$ S $\frac{1}{2}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$   
Section 29: SE $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$   
Section 30: Lot 4 (24.85)  
Section 31: Lots 1 (24.64), 2 (24.44), 3 (24.24) and 4

	(24.04), E $\frac{1}{2}$ W $\frac{1}{2}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$
Section 32:	S $\frac{1}{2}$ , E $\frac{1}{2}$ NE $\frac{1}{4}$
Section 33:	W $\frac{1}{2}$ , W $\frac{1}{2}$ E $\frac{1}{2}$ , NE $\frac{1}{4}$ NE $\frac{1}{4}$
Section 36:	S $\frac{1}{2}$ NW $\frac{1}{4}$

(containing 6,805.33 acres, more or less, in Uintah County, Utah)

(the “2011 Expansion Lands”). The expansion of the NBU to include such lands was approved by the BLM effective as of November 1, 2011.

3. The following lands are anticipated to be added to the NBU via subsequent joinder and ratification effective as of January 1, 2012:

Township 9 South, Range 20 East, SLM

Section 36: S $\frac{1}{2}$

Township 9 South, Range 21 East, SLM

Section 32: Lots 1 (45.92), 2 (46.78), 3 (47.62) and 4 (48.48), N $\frac{1}{2}$ S $\frac{1}{2}$  [S $\frac{1}{2}$ ]

(the “2012” Expansion Lands”).

4. By Order entered in Cause No. 173-24 on October 5, 2009 (the “173-24 Order”), the Board modified the general well siting rule (Utah Admin. Code Rule R649-3-2) and the directional drilling rules (Utah Admin. Code Rules R649-3-10 and 11(1) and (2)) to provide for the drilling of wells to achieve the equivalent of an approximate 10-acre well density pattern for the production of gas and associated hydrocarbons from the Wasatch Formation and the Mesaverde Group, defined in said Order as:

the base of the Green River formation, defined as the stratigraphic equivalent of the correlation point established at the depth of 4,822 feet below K.B. (Kelly Bushing) in the Ute Trail # 10 Well drilled by DeKalb Petroleum Company in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 34 in Township 9 South, Range 21

East, SLM, Uintah County, Utah, to the top of the Mancos formation, defined as the stratigraphic equivalent of the correlation point established at the depth of 9,732 feet below K.B. (Kelly Bushing) in the Chapita Wells Unit # 5 Well drilled by Belco Petroleum Corporation in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 22 in Township 9 South, Range 22 East, SLM, Uintah County, Utah,

(the “NBU Formations”), on the following 2011 and 2012 Expansion Lands:

Township 9 South, Range 20 East, SLM

Section 23: SE $\frac{1}{4}$   
Section 24: S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$   
Section 25: N $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$   
Section 36: S $\frac{1}{2}$

Township 9 South, Range 21 East, SLM

Section 32: Lots 1 (45.92), 2 (46.78), 3 (47.62) and 4 (48.48), N $\frac{1}{2}$ S $\frac{1}{2}$  [S $\frac{1}{2}$ ]

Township 10 South, Range 21 East, SLM

Section 23: E $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$   
Section 24: S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$

Township 10 South, Range 22 East, SLM

Section 15: N $\frac{1}{2}$ S $\frac{1}{2}$ , S $\frac{1}{2}$ N $\frac{1}{2}$ ,

with certain specified set backs from NBU tract and lease boundaries. At that time, the above described lands were physically within the boundaries of the NBU, but were not committed thereto.

5. By Order also entered on October 5, 2009 in Cause No. 210-05 (the “210-05 Order”), the Board similarly modified Utah Admin. Code Rules R649-3-2, 10 and 11(1) and (2) to provide for the drilling of wells to achieve the equivalent of an

approximate 10-acre density pattern for the production of gas and associated hydrocarbons from the Wasatch Formation and the Mesaverde group, defined in said Order instead as follows:

the top of the Wasatch formation is defined as the stratigraphic equivalent of 3,790 feet as shown on the electric log of the Willow Creek Unit #1 well located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 21, Township 11 South, Range 21 East, SLM, and as the stratigraphic equivalent of 5,552 feet as shown on the electric log of the Ouray #34-79 well located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 34, Township 8 South, Range 21 East, SLM, and the base of the Mesaverde Group is defined as the stratigraphic equivalent of approximately 9,550 feet in said Willow Creek Unit #1 well (a stratigraphic equivalent which lies approximately 20 feet below the base of the electric log for said well), and as the stratigraphic equivalent of 11,718 feet as shown on the electric log of said Ouray #34-79 well,

on the following 2011 Expansion Lands, among other lands:

Township 10 South, Range 21 East, SLM

Section 25:	S $\frac{1}{2}$ S $\frac{1}{2}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 26:	SW $\frac{1}{4}$
Section 28:	SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 31:	Lots 1 (40.94), 2 (40.68), 3 (40.96), 4 (40.54), E $\frac{1}{2}$ W $\frac{1}{2}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$
Section 32:	S $\frac{1}{2}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$
Section 34:	All
Section 36:	All

Township 10 South, Range 22 East, SLM

Section 27:	S $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$
Section 28:	S $\frac{1}{2}$ S $\frac{1}{2}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 29:	SE $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$
Section 30:	Lot 4 (24.85)
Section 31:	Lots 1 (24.64), 2 (24.44), 3 (24.24) and 4 (24.04), E $\frac{1}{2}$ W $\frac{1}{2}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$
Section 32:	S $\frac{1}{2}$ , E $\frac{1}{2}$ NE $\frac{1}{4}$
Section 33:	W $\frac{1}{2}$ , W $\frac{1}{2}$ E $\frac{1}{2}$ , NE $\frac{1}{4}$ NE $\frac{1}{4}$ ,

with certain specified set backs from lease boundaries.

6. The remaining 2011 Expansion Lands, being:

Township 10 South, Range 20 East, SLM

Section 25:      S½SE¼

Township 10 South, Range 21 East, SLM

Section 24:      E½NE¼

Section 25:      E½SE¼

Section 36:      S½NW¼.

as relating to the NBU Formations, are not currently subject to any Board spacing order and are therefore ostensibly subject to the general statewide well siting rule set forth in Utah Admin. Code R649-3-2, and the general directional drilling well rules set forth in Utah Admin. Code R649-3-10 and R649-3-11. Under Utah Admin. Code Rule R649-3-2, each well is to be located within a 400-foot “window” surrounding the center of each governmental quarter-quarter section, or a substantially equivalent lot or tract or combination of lots or tracts, and no well may be located closer than 920 feet from an existing well drilling to or capable of producing from the same pool. The result of this location pattern is to allow a maximum of four (4) wells per quarter section and 16 wells per section, *i.e.* the equivalent of 40-acre well density.

7. The NBU was initially approved effective January 5, 1968 and was contracted down to its participating area (78,769.20 acres) as mandated under the terms of the governing Unit Agreement prior to the 2011 Expansion. The NBU is administered

by the BLM. All oil and gas in the NBU Formations only underlying the committed tracts within the NBU are unitized. KMG serves as Unit Operator.

8. By Consolidated Order entered in Cause No. 173-14 on December 2, 1999 (the "173-14 Order"), the Board ordered suspension of the Board's operating rules and orders (including what is now codified at Utah Admin. Code Rule R649-3-2) as to the NBU committed lands from its inception; provided, no well may be drilled closer than 460 feet from a NBU boundary line including interior boundary lines formed by uncommitted "windows" of lands within the NBU (said "windows" being the lands subject to the 173-24 Order).

9. Since entry of the 173-24 Order, KMG has acquired all of the operating rights in the leases covering the 2011 and 2012 Expansion Lands subject to that Order and which prior ownership had, in part, previously prohibited commitment of said lands to the NBU. All of the leases covering the 2011 and 2012 Expansion Lands are either Federal or State of Utah oil and gas leases.

10. There are no uncommitted tracts within the 2011 Expansion Lands. Although currently uncommitted, the 2012 Expansion Lands are expected to be formally committed in the near future, with an effective date of January 1, 2012.

11. Paragraph 16 of the NBU Agreement expressly requires the Unit Operator to produce unitized substances, and conduct all operations to provide for the most economical and efficient recovery of said substances, without waste, as defined by or pursuant to State or Federal law or regulation.



12. Well location and density patterns within the NBU Area are determined in accordance with the terms of the NBU Agreement and, in particular, the annual plan of Unit development approved by the BLM. Drilling applications are approved by both the BLM and the Division.

13. KMG has since drilled several wells in the Wasatch-Mesaverde formations in the NBU Area, and on nearby lands on equivalent 10-acre density, the data from which has evidenced and/or confirmed that:

- a) The sand bodies are numerous, small and discontinuous. Wells drilled even as close as 505 feet apart do not intersect all of the same sand bodies and therefore reflect great lateral variability in the productive sandstones of the Unit. Surface outcrop studies indicate that the average apparent width of the sand bodies is 634 feet. Theoretically, wells on a 10-acre density pattern would be located 660 feet apart;
- b) The sand bodies contain complex internal structures, many of which are barriers to flow, and are tight with permeability in the micro-darcy range;
- c) Consistent fracture orientation in the area allows wells to be placed in a pattern so as to minimize potential interference; and
- d) Pressure measurement (DFIT) data detected minimal or no depletion and validated KMG's pressure model.

14. Volumetric estimations reflect a 55% recovery efficiency on a 10-acre density pattern for the NBU.

15. Economic Sensitivity to Reserve analysis reflects that drilling wells on a 10-acre density pattern for the NBU is economic.

16. Development within the NBU is currently occurring on a 10-acre density pattern for the same reasons and justifications recognized by the Board in the 173-24 and

210-05 Orders, as well as previously issued orders for nearby fields producing gas from the same formations (Ouray field – Cause No. 173-23; Bonanza field – Cause No. 179-14; and Hatch field – Cause No. 179-15). In addition, the Board has, on numerous previous occasions, suspended its general rules as applicable to Federal exploratory units (e.g., Order in Cause No. 268-01 for the Love Unit; Order in Cause No. 259-01 for the River Bend and Little Canyon Units; and, as most relevant to this Cause and as noted above, the 173-14 Order for the NBU prior to the 2011 Expansion).

17. There is likelihood that, if development of the NBU as expanded does not occur on an approximate 10-acre well density pattern as to the discontinuous sand bodies, particularly as to the Wasatch and Mesaverde formations, valuable resources will not be recovered.

18. Drilling on a 10-acre density pattern, given the setback requirements under the 173-24 and 210-05 Orders, and especially as to the 2011 Expansion Lands not currently subject to a Board order, under current circumstances may clash with NBU development patterns and, in some instances, will always prohibit location within the allowed “window” under the general well siting regulation (Utah Admin Code Rule R649-3-2) and conversely always require an exception location approval (in accordance with Utah Admin. Code Rule R649-3-3). Additionally, wells may need to be directionally drilled from existing pads to minimize surface disturbance and alleviate certain environmental concerns.

19. A copy of the Request was mailed, postage pre-paid, certified with return receipt requested, and properly addressed, to the governmental agencies owning the oil

and gas and having jurisdiction over the minerals underlying the 2011 and 2012 Expansion Lands. Copies of the return receipts, evidencing receipt of all such mailings, were filed with the Board.

20. Notice of the filing of the Request and of the hearing thereon was duly published in the Uintah Basin Standard on August 2, 2011, in the Vernal Express on August 3, 2011, and the Salt Lake Tribune and Deseret Morning News on August 5, 2011.

21. The vote of the Board members present in the hearing and participating in this Cause was unanimous (7-0) in favor of granting the Request.

### **CONCLUSIONS OF LAW**

1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request in the form and manner as required by law and the rules and regulations of the Board and Division.

2. The Board has jurisdiction over all matter covered by the Request and all interested parties therein, and has the power and authority to render the order herein set forth pursuant to Utah Code Ann. §§ 40-6-5(3)(b) and Utah Admin. Code Rule R649-2-3.

3. The conservation of oil and gas and the prevention of waste are accomplished by operations conducted in accordance with the terms of the NBU Agreement.

4. The lands referenced in Paragraph 6 of the Findings of Fact are subject to the general statewide well siting and directional drilling rules (Utah Admin. Code Rules

R649-3-2, R649-3-10 and R649-3-11 (1) and (2)).

5. A proposed 10-acre density drilling program for NBU production from the 2011 and 2012 Expansion Lands appears reasonable, justified and economic.

6. To account for KMG's proposed 10-acre density drilling program for the 2011 and 2012 Expansion Lands, including associated directional drilling, suspension of Utah Admin. Code Rules R649-3-2, R649-3-10 and R649-3-11 (1) and (2) is fair, reasonably and justified with the following provisions:

- (a) no future well within the Unit may be located closer than 460 feet from an expanded NBU boundary without administrative approval of the Division in accordance with Utah Admin. Code Rule R649-3-3;
- (b) no future well may be directionally drilled if any portion of a 460-foot radius along the projected wellbore intersects an expanded NBU boundary without approval of the Division or Board in accordance with Utah Admin. Code Rules R649-3-3 and R649-3-11;
- (c) the operator provides to the Division (1) a plat or sketch showing the distance from the surface location to section and lease lines and the target location within the intended producing interval with any application for permit to drill filed for a well to be directionally drilled in the expanded NBU Area; and (2) copies of the annual plan of Unit development for the NBU filed with the BLM, if required by the BLM; and
- (d) this suspension shall remain in effect only for committed lands which remain part of the NBU as expanded. Upon Unit contraction or termination, lands eliminated from the NBU shall once again become subject to the applicable rules.

7. The relief granted hereby will result in the orderly development and greatest recovery of Unitized oil and gas, prevent waste and adequately protect the correlative rights of all affected parties.

8. KMG has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements, including those set forth in Utah Admin. Code Rule R649-2-3, for the granting of its Request.

### **ORDER**

Based upon the Request, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

1. The Request in this cause is granted.
2. Utah Admin. Code Rules R649-3-2, R649-3-10 and R649-3-11 (1) and (2) are suspended insofar as they apply to the 2011 Expansion Lands as described above; provided, however, that:

(a) no future well within the NBU as expanded may be located closer than 460 feet from an expanded NBU boundary without administrative approval of the Division in accordance with Utah Admin. Code Rule R649-3-3;

(b) no future well may be directionally drilled if any portion of a 460 foot radius along the projected wellbore intersects an expanded NBU boundary without approval of the Division or Board in accordance with Utah Admin. Code Rules R649-3-3 and R649-3-11.

(c) KMG and any successor Unit Operator shall provide the Division: (1) a plat or sketch showing the distance from the surface location to section and lease lines and the target location within the intended producing interval with any application for permit to drill filed for a well to be directionally drilled in the NBU as expanded; and (2) copies of the annual plan of Unit development for the NBU filed with the BLM, if required by the BLM; and

(d) this suspension shall remain in effect only for committed 2011 Expansion Lands which remain part of the expanded NBU. Upon Unit contraction or termination, any 2011 Expansion Lands eliminated from the NBU shall once again become subject to the applicable rules.

3. Paragraph 2 of this Order shall also equally apply to the 2012 Expansion Lands upon final approval of the BLM of the commitment of said lands to the NBU. KMG shall send a copy of said BLM approval decision letter upon receipt to the Board's Secretary who shall then provide notice to the Board and Division and shall modify the Board's and Division's records to reflect application of this Order to the 2012 Expansion Lands.

4. If the Division should determine that operations within the expanded NBU area are not being conducted in a manner which is intended to maximize recovery of oil and gas, promotes conservation, is protective of correlative rights, and/or prevents waste, it may initiate a Notice of Agency Action in accordance with Utah Admin. Code Rule R641-104-100 for the Board to reconsider the suspension of the relevant rules granted hereby.

5. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. § 63G-4-204 to 208, the Board has considered and decided this matter as a formal adjudication.

6. This Order is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, all as required by the Administrative Procedures Act, Utah Code Ann. § 63G-4-208 and Utah Administrative Code Rule R641-109.

7. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. § 63G-4-208(e) - (g),

the Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with the Utah Supreme Court within 30 days after the date that this Order issued. Utah Code Ann. §§ 63G-4-401(3)(a) and 403. As an alternative to seeking immediate judicial review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that the Board reconsider this Order, which constitutes a final agency action of the Board. Utah Code Ann. § 63G-4-302, entitled, “Agency Review - Reconsideration,” states:

(1)(a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63G-4-301 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.

(b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.

(2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.

(3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.

(b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.

*Id.* The Board also hereby notifies the parties that Utah Admin. Code Rule R641-110-100, which is part of a group of Board rules entitled, “Rehearing and Modification of Existing Orders,” states:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing

must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of the month.

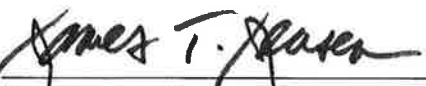
*Id.* See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. § 63G-4-302 and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board hereby rules that the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the party may still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

8. The Board retains continuing jurisdiction over all the parties and over the subject matter of this cause, except to the extent said jurisdiction may be divested by the filing of a timely appeal to seek judicial review of this order by the Utah Supreme Court.

9. For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this 4th day of January, 2012.

**STATE OF UTAH**  
**BOARD OF OIL, GAS AND MINING**

By:   
James T. Jensen, Chairman



## CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER for Docket No. 2011-015, Cause No. 173-25 to be mailed with postage prepaid, this 5th day of January, 2012, to the following:

Frederick M. MacDonald  
Beatty & Wozniak, P.C.  
Attorneys for Kerr-McGee Oil and Gas  
Onshore, LP  
6925 Union Park Center, Suite 525  
Cottonwood Heights, UT 84047-6003  
E-Mail: FMacDonald@bwenergyllaw.com

United States of America  
Bureau of Land Management  
Utah State Office  
Attn: Roger L. Bankert  
Chief-Branch of Fluid Minerals  
P.O. Box 45155  
Salt Lake City, UT 84145-0155

Michael S. Johnson  
Assistant Attorneys General  
Utah Board of Oil, Gas & Mining  
1594 West North Temple, Suite 300  
Salt Lake City, UT 84116  
[Via Email]

State of Utah School and Institutional  
Trust Lands Administration  
Attn: LaVonne Garrison  
Assistant Director, Oil and Gas  
675 East 500 South, Suite 500  
Salt Lake City, Utah 84102

Steven F. Alder  
Assistant Attorneys General  
Utah Division of Oil, Gas & Mining  
1594 West North Temple, Suite 300  
Salt Lake City, UT 84116  
[Via Email]

United States of America  
Bureau of Land Management  
Vernal Field Office  
170 South 500 East  
Vernal, UT 84078

Kerr-McGee Oil and Gas Onshore, LP  
Attention: Thomas Marranzino, Landman  
1099 18" St. Suite 1800  
Denver, CO 80202  
Telephone: (720) 929-6000  
E-Mail: Thomas.  
Marranzino@anadarko.com

  
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